

TRANSCO WORKSTREAM REPORT

"Title to Gas in LNG facilities"

Version 1.0

Background

Following receipt of the July Sub-group Report, the August Modification Panel meeting referred the Proposal back to the NT & T Workstream Sub-group for further deliberation and requested a report for the September Modification Panel meeting.

The PSS Sub-group were asked to review the Proposal and submit this Report on behalf of the Workstream.

Discussions were therefore held at the Sub-group meeting on 10 September with the following in attendance:

John Bradley (Chair)	Transco	Julian Cunningham	BGT
Diane Ritchie	Transco	Kevin Bennett	TXU
Phil Hobbins	Transco	Beverley Ireland	Scottish Power
Kerri Flitcroft	Transco	Rekha Patel	Dynegy
	LNG		
Amrik Bal	Ofgem	Tim Keyworth	Ofgem

Discussion

Previous discussions are recorded in the August Report to the Modification Panel.

Both ScottishPower and Dynegy expressed surprise that this Modification Proposal was still being considered, as both had independently received expert legal advice that it was impossible for a storage operator to grant title to gas-in-storage to a User. Dynegy confirmed it had provided its customers with an interim solution by granting a floating charge, whilst alternative long-term commercial solutions were explored. Transco LNG confirmed their preference to develop this issue with a view for implementation in the service contracts for the Storage Year 2003/04. Should any User have reservations about this proposed action and the situation for the remainder of this Storage Year, Transco LNG would be pleased to receive suggestions of what form of security is required.

As a result of discussion, the Proposer was asked to consider the appropriateness of this Modification Proposal.

Recommendation

As the Sub-group considers this Proposal is not sufficiently developed to be issued for consultation and has asked the Proposer, in the light of various industry discussions, to consider the appropriateness of the Proposal, it recommends that the Proposal remains with the Sub-group for discussion at their October meeting.